

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK
POUGHKEEPSIE DIVISION**

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In re:

CHAPTER 11

NEW YORK MILITARY ACADEMY,

CASE NO. 15-35379 (CGM)

DECLARATION

Debtor.

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David A. Fields, the First Vice-President of the New York Military Academy makes the following Declaration:

1. I make this Declaration in support of the motion of New York Military Academy (hereinafter referred to as "NYMA") for an Order of the Bankruptcy Court approving the debtor-in-possession financing with ITG Taxable Fund Management Group (hereinafter referred to as "ITG") pursuant to 11 U.S.C. § 364 (d).
2. NYMA is a not-for-profit organization. It is a preparatory school grades 8 through 12 whose mission is to develop students minds, bodies and character to prepare them for further education.
1. NYMA holds a charter from the State of New York to operate a military high school.

HISTORY

2. NYMA was founded in 1889 by Charles Jefferson Wright, a civil war veteran and former school teacher.
3. The school grew through the years and in the 1980's reached an enrollment of 400 students.
4. Currently there are 55 students enrolled in grades 8 through 12.

5. There are 44 resident students and 11 commuter students.

PROPERTY AND ASSETS

6. NYMA is located in the Town of Cornwall, New York. It is the owner of 3 parcels of real property. A 77.3 acre parcel improved with a military preparatory school. This parcel contains administrative and academic offices, dormitory facilities, apartments and single family residences.
7. NYMA is the owner of a 35 acre parcel of vacant land as well as a 1.10 acre parcel of vacant land. These two parcels are located on the east side of Route 9W.
8. NYMA is the owner of 9 motor vehicles, office equipment, classroom equipment, office furnishings for 25 offices and dormitory furnishings for approximately 400 students. there is also a large amount of athletic equipment and supplies.

CURRENT FINANCIAL STATUS

9. NYMA has suffered a severe decline in enrollment in the years 2010 through 2015.
10. In the 1990's enrollment reached a peak of 400 plus students. Today there are 55 students enrolled at the school.
11. With the decline in enrollment the financial fortunes of the school also declined.
12. In an attempt to rescue the school's finances, NYMA entered into an agreement with Obridge Academy. Obridge Academy agreed to make an investment of up to \$20 million to refinance existing debt, provide working capital and also to use these funds to upgrade the physical plan. The Obridge Academy agreement contemplated expanding the

curriculum and adding an internet education model.

13. Obridge Academy, however, breached the agreement in May, 2013 by failing to provide the required funding for working capital. NYMA has brought suit against Obridge Academy in the New York State Supreme Court, Orange County. A trial is scheduled for June, 2015.
14. In the past two years NYMA has aggressively pursued a partner to provide needed cash to shore up the school's finances and continue its operations.
15. NYMA has also aggressively sought to sell its property to pay the outstanding debt.
16. There are currently several potential purchasers who are in discussions with the officers of NYMA to sell the property.
17. The Town of Cornwall issued a letter of intent in April, 2014 to purchase the school and its property for a total price of \$8 million.
18. The Town of Cornwall has continued its interest in purchasing the school. In December, 2014 the Town of Cornwall approved spending for an appraisal of the property and in January, 2015 it approved expenditure of \$19,500.00 to survey the NYMA property. Attached hereto and marked Exhibit A is an article from the Middletown Times Herald Record dated January 7, 2015.
19. The land and buildings owned by NYMA have recently, in July, 2014 been appraised at a value of \$10.1 million. Attached hereto and marked Exhibit B is a summary of the Real Property Appraisal Report prepared by McGrath & Company.
20. NYMA is in dire need of an immediate cash infusion.
21. There is approximately \$15,000.00 in the school's bank accounts.
22. NYMA was not able to meet its February, 2015 payroll and will not be able to meet its

March 5, 2015 payroll. There is currently due and owing to the 54 employees approximately \$146,000.00.

23. If funds are not immediately acquired, the teachers and administrative staff may depart from the school thereby bringing operations to a close and leaving the many students stranded.
24. It is the goal of the Board of Directors and Officers of the school to maintain operations through the end of the current semester in June, 2015.
25. If NYMA cannot continue operations, the current students will not be able to complete their studies.
26. It costs approximately \$350,000.00 per month to operate the NYMA facility and to pay its employees.
27. NYMA has negotiated a debtor-in-possession financing agreement with ITG. The term sheet for the ITG loan is attached hereto and marked Exhibit C.
28. The Board of Directors has contacted several potential lenders including, banks, successful alumni and the holders of the mortgage on NYMA's real property. The only party willing to make a post-petition loan to the debtor is ITG.
29. As a condition of the loan from ITG, the lender requires a super priority as provided in the Bankruptcy Code. This loan will also prime the position of the first mortgagee, Cornwall Improvement LLC. As explained in the Declaration of our counsel, Lewis D. Wrobel, Esq., Cornwall will be adequately protected by an equity cushion in excess of \$3 million.

WHEREFORE, New York Military Academy respectfully prays for an Order Approving debtor-in-possession lending pursuant to 11 U.S.C. § 364(d)(D) together with such other and

further relief as to this Court may seem just and proper.

/s/ David B. Fields

DAVID B. FIELDS

First Vice-President

New York Military Academy